

March 22, 2006

EXHIBIT 9
DATE 3.23.07
HB 822

Dear Chairman Lake and the Taxation Committee,

I am writing this memo to respond to questions asked at the committee hearing and, at the sponsor's request, to provide further evidence in support of HB 822, which would create a tax credit for biodiesel blends.

Clarification of Committee Questions:

ASTM Standards. Montana Law already requires that all biodiesel made in the state conforms to ASTM standards. The definition of Biodiesel included in 15-70-301(2)(a) states that "The fuel must meet the requirements of ASTM D6751." ASTM D6751 is the nationally accepted standard for determining the quality of fuel, with regard to cloud points, chemical residues, and flash point.

Fiscal Impact. The bill's current fiscal note is incredibly exaggerated. It assumes that 10.2 million gallons of biodiesel will be used in the state in 2008. Last year, there were approximately 66,000 gallons of biodiesel sold in the state (MT Dept. of Transportation). Even if biodiesel use doubles in the coming year, production will not come close to the 10.2 million gallons projected in the fiscal note.

Current usage in Montana. In 1995, Yellowstone National Park began a pilot biodiesel program and now uses 20% blend in over 100 park vehicles. (National Park Service) Currently, there are several gas stations that sell biodiesel, including:

- 2 Cenex stations in Missoula (B20)
- CityServiceValcon in Kalispell (B20)
- Econo-Mart in West Yellowstone (B10)
- Sustainable Systems, LLC, in Missoula (B100)
- The Renewable Fuel Station in Columbia Falls (B99)

Other Biodiesel Information:

Engine Lubrication: Biodiesel blends provide fuel lubricity. The EPA's Ultra-Low Sulfur Diesel requirements require a lubricity additive so that fuel does not wear down engines. Bench scale testing has shown that 1% biodiesel blend can improve the lubricity of diesel fuel 65% (National Biodiesel Board).

Cold Weather: According to a recent "Biodiesel Q&A" handout from DEQ, B20 has essentially the same cold weather properties as petroleum diesel. The Montana Department of Transportation has field-tested B20 in Havre during winter conditions. Biodiesel is also used year-round in Glacier and Yellowstone National Parks.

Sincerely,



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